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C O N F I D E N T I A L STATE 201520 TOSEC 100107

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PART TWO OF THREE

E.O. 11652: XGDS-3

TAGS: PFOR, UNGA

SUBJECT: UNGA-S/S SPEECH - DRAFT SIX

FOR LORD FROM S/P - LEWIS

(SECTION HEADING) ACCELERATING ECONOMIC GROWTH

(SECTION HEADING) ACCELERATING ECONOMIC GROWTH

301. IT IS NOT ENOUGH TO ENSURE THE MINIMAL ECONOMIC

SECURITY OF THE DEVELOPING COUNTRIES. THE ROAD OF DEVELOP-

MENT IS THE ROAD OF ACCELERATION OF GROWTH, OF IMPROVEMENT

IN PRODUCTIVITY AND LIVING STANDARDS, AND OF SOCIAL TRANS-

FORMATION.

302. BUT ACCELERATION CANNOT OCCUR WITHOUT LARGE-SCALE

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TRANSFERS OF CAPITAL, TECHNOLOGY, AND SKILLS. MOST OF THE

RESOURCES, ORGANIZATION, AND DEDICATION CAN COME ONLY FROM

LOCAL EFFORT. YET, INTERNATIONAL SUPPORT IS INDISPENSIBLE
FOR NEARLY ALL COUNTRIES. THE EXTERNAL CAPITAL NEEDS OF
THE DEVELOPING COUNTRIES ARE ESTIMATED TO REACH \$40 BILLION
A YEAR BY 1980, FOR EVEN A MODERATE ACCELERATION OF RECENT
GROWTH RATES. THE NEED FOR TECHNOLOGICAL INNOVATION,
THOUGH IMPOSSIBLE TO QUANTIFY, IS SIMILARLY GREAT.

303. HOW CAN THESE NEEDS FOR CAPITAL, TECHNOLOGY AND

SKILLS BE MET?

304. SURELY OFFICIAL AID FROM INDUSTRIAL TO DEVELOPING

COUNTRIES CAN HELP. TAKEN TOGETHER, THE INDUSTRIAL

COUNTRIES NOW PROVIDE SOME \$---- BILLION IN CONCESSIONAL,

BILATERAL ASSISTANCE. (NON-MARKET COUNTRIES PROVIDE A

SMALL ADDITIONAL AMOUNT -- \$---- BILLION.) OUR EFFORT IS

CRITICAL, BUT WE CANNOT EXPECT IT TO GROW SIGNIFICANTLY

OVER THE COMING YEARS. SUPPORT FOR BILATERAL AID IN BOTH

INDUSTRIAL AND DEVELOPING COUNTRIES IS ERODING. IT IS

INCREASINGLY DIFFICULT FOR THE FORMER TO GIVE AND FOR THE

LATTER TO RECEIVE. MOREOVER, THE LIMITED CONCESSIONAL

FUNDS AVAILABLE WILL BE LARGELY ABSORBED BY NEEDS OF THE

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POOREST COUNTRIES. WE CANNOT REALISTICALLY HOPE TO

ACCELERATE THE PACE OF DEVELOPMENT BY DONATIONS GIVEN AND

RECEIVED.

305. MOREOVER, WE MAY NOT EVEN BE ABLE TO SUSTAIN PRESENT

OFFICIAL ASSISTANCE FLOWS IF OIL PRICE RISES CONTINUE TO

SLOW ECONOMIC ACTIVITY IN THE DONOR NATIONS. TRANSFERS OF

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WEALTH TO THE POORER NATIONS WILL ONLY OCCUR IN A CLIMATE
OF GLOBAL GROWTH.

306. NOR CAN GROWTH IN THE DEVELOPING NATIONS ACCELERATE
IF THEY ARE CONTINUALLY SUBJECTED TO INCREASED PRICES FOR
THE MOST CRITICAL INPUT FOR CONTINUED INDUSTRIAL AND AGRI-
CULTURAL PRODUCTIVITY -- FUEL. INCREASED FUEL COSTS MEAN
HIGH COST TRANSPORT, HIGH COST ELECTRIC POWER, AND HIGH
COSTS FOR ENERGY-INTENSIVE MANUFACTURED GOODS. THE MOST
IMPORTANT IMPACT IS ON AGRICULTURE. HIGHER ENERGY COSTS
MEAN MUCH HIGHER FERTILIZER PRICES AND RETARD THE
ADAPTATION

OF MACHINERY TO AGRICULTURE, AT A TIME WHEN MUCH OF THE
WORLD IS HUNGRY. THE WORLD BANK HAS ESTIMATED THAT FOR
EACH \$1 INCREASE IN THE PRICE OF OIL, THE COST TO THE
DEVELOPING COUNTRIES OF THEIR ENERGY NEEDS INCREASES BY
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\$---- BILLION.

307. SURELY SOME PORTION OF THE NEED FOR INCREASED AID
FLOWS WILL COME FROM THE GROWING ASSISTANCE PROGRAMS OF
THE OIL EXPORTERS. LAST YEAR THE OIL EXPORTERS DISBURSED
\$3 BILLION IN BILATERAL ASSISTANCE; THE FIGURE MAY GROW
THIS YEAR. BUT IT IS CLEAR THAT EVEN THE INDUSTRIAL
NATIONS AND THE OIL EXPORTERS TOGETHER CANNOT PROVIDE THE
INCREASED FUNDS NEEDED TO ACCELERATE GROWTH THROUGHOUT THE
DEVELOPING WORLD AS A WHOLE.

308. IF GROWTH THUS IS TO ACCELERATE, IT CAN ONLY BE
THROUGH DEVELOPMENT CAPITAL AND TECHNOLOGY COMING DIRECTLY

OR INDIRECTLY FROM PRIVATE, COMMERCIAL CHANNELS. AND WE
CAN ONLY EXPECT MAJOR INCREASES IN SUCH TRANSFERS TO OCCUR
IF THEY ARE IN THE INTEREST OF BOTH DEVELOPING AND
DEVELOPED COUNTRIES.

309. NO INVISIBLE HAND WILL GENERATE THOSE INTERESTS.

RATHER, WE MUST ACT TO CREATE THEM, BY OVERCOMING THREE
PROBLEMS. FIRST, WE MUST IMPROVE THE MECHANISMS BY WHICH
INVESTMENT FUNDS CAN BE CHanneLED TO DEVELOPING COUNTRIES
ON A SUBSTANTIAL, GROWING, AND SUSTAINED BASIS. SECONDLY,
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WE MUST PROVIDE NEW MEANS BY WHICH THE DEVELOPING COUNTRIES
CAN OBTAIN AND ADAPT TECHNOLOGY TO THEIR NEEDS, AND THUS
TO BUILD A DOMESTIC TECHNOLOGICAL BASE. FINALLY, WE MUST
DEFINE AND ESTABLISH UNDERSTANDING UNDER WHICH INTER-
NATIONAL ENTERPRISES CAN OPERATE PRODUCTIVELY BOTH IN THEIR
INTEREST AND THAT OF THE HOST COUNTRY.

310. FIRST, (BEGIN UNDERLINE) ACCESS TO CAPITAL MARKETS
(END UNDERLINE). MOST CAPITAL FOR DEVELOPMENT CAN ONLY
COME FROM THE DEVELOPED WORLD. THE WORLD BANK AND THE
REGIONAL DEVELOPMENT BANKS BORROW EXTENSIVELY IN PRIVATE
CAPITAL MARKETS TO LEND TO THEIR CLIENTS. THE UNITED
STATES SUPPORTS THE CONTINUED EXPANSION OF THE WORLD BANK
AND REGIONAL DEVELOPMENT BANK PROGRAMS. I AM HEARTENED
THAT TEN EUROPEAN COUNTRIES, ISRAEL AND JAPAN WILL JOIN US
SHORTLY IN A \$6 BILLION EXPANSION OF THE RESOURCES OF THE
INTER-AMERICAN DEVELOPMENT BANK. AND WE ARE VIGOROUSLY

SEEKING CONGRESSIONAL AUTHORIZATION TO JOIN THE AFRICAN
DEVELOPMENT BANK.

311. BUT WE MUST FIND NEW WAYS TO ENHANCE THE ACCESS OF
DEVELOPING COUNTRIES TO PRIVATE CAPITAL MARKETS.

312. DEVELOPING COUNTRIES HAVE SUCCESSFULLY RAISED
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DIRECTLY CLOSE TO \$10 BILLION ANNUALLY IN INTERNATIONAL
MARKETS. THE COUNTRIES THAT ARE MOST SUCCESSFUL IN THEIR
DEVELOPMENT EFFORTS AND THAT NO LONGER REQUIRE CONCESSIONAL
AID, ESPECIALLY IN ASIA AND LATIN AMERICA, RELY HEAVILY ON
THIS SOURCE OF FUNDS. BUT THEIR FUTURE ACCESS IS NOT
ASSURED. THEY TEND TO BE RESIDUAL BORROWERS, LAST IN AND
FIRST OUT. THEY SUFFER MOST FROM DECLINES IN THE AVAILA-
BILITY OF FUNDS. THE VAGARIES OF DEVELOPMENT MAKE ACCESS
TO LONG-TERM CAPITAL UNPREDICTABLE AND CAPRICIOUS. YET
ASSURED CAPITAL ACCESS IS NECESSARY FOR SUCCESS IN THE
DEVELOPMENTAL PROCESS.

313. THE BASIC DIMENSIONS OF CREDITWORTHINESS -- THE
ABILITY OF A DEVELOPING COUNTRY TO USE CAPITAL PRODUCTIVELY
-- CANNOT BE INFLUENCED FROM OUTSIDE. BUT WE CAN AND MUST
MAKE SURE THAT OUR CAPITAL MARKETS RESPOND TO THE OPPOR-
TUNITIES DEVELOPING COUNTRIES OFFER FOR INVESTMENT.

314. FOR THIS PURPOSE THE UNITED STATES PROPOSES CREATION
OF A NEW INTERNATIONAL INVESTMENT TRUST, TO BE MANAGED BY
THE INTERNATIONAL FINANCE CORPORATION. THE TRUST WOULD
INVEST IN THE DEBT AND EQUITY OF THE NATIONAL AND INTER-
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NATIONAL DEVELOPMENT BANKS AND THE PRIVATE, PUBLIC AND MIXED ENTERPRISES OF DEVELOPING COUNTRIES. IT WOULD DRAW ITS CAPITAL FROM THE IFC, THE INDUSTRIAL COUNTRIES, THE OIL EXPORTING COUNTRIES, THE DEVELOPING COUNTRIES THEMSELVES, AND FROM PRIVATE PARTICIPATIONS BORROWED AGAINST ITS OFFICIAL CAPITAL. FIRST YEAR OFFICIAL CAPITAL -- INCLUDING THE CONTRIBUTION OF THE IFC -- MIGHT BE \$250 MILLION. IF THE VENTURE SUCCEEDS, THE UNITED STATES WOULD BE PREPARED TO SEEK ADDITIONAL CAPITAL SUBSCRIPTIONS.

315. THIS NEW INSTITUTION WOULD CREATE A NOVEL AND POWERFUL LINK BETWEEN THE DEVELOPING COUNTRIES AND THE CAPITAL MARKETS IN WHICH THEIR GROWTH DEPENDS. IF SUCCESSFUL, IT COULD BE GREATLY EXPANDED.

315(A)THE UNITED STATES IS ALSO PREPARED TO INVESTIGATE WAYS TO ENHANCE THE ABILITY OF THE DEVELOPING COUNTRIES FOR DIRECT ACCESS TO PRIVATE CAPITAL MARKETS. WE WILL ACTIVELY PARTICIPATE IN THE DELIBERATIONS OF THE DEVELOPMENT COMMITTEE ON THIS SUBJECT.

316. A SECOND KEY TO LONG-TERM GROWTH IS (BEGIN UNDERLINE) NEW TECHNOLOGY (END UNDERLINE).

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317. DEVELOPING COUNTRIES HAVE AN UNLIMITED NEED FOR NEW TECHNOLOGY. YET OUR INSTRUMENTS FOR ITS TRANSFER ARE LIMITED AND SELDOM AT THE SOLE COMMAND OF NATIONAL GOVERNMENTS. WE CAN ACHIEVE LITTLE BY BUREAUCRATIC APPROACHES --

WITH ONE ARRAY OF OFFICIALS TRYING TO CONVEY TO ANOTHER
SKILLS NEITHER MAY NORMALLY EXERCISE. BUT WE CAN MAKE
PROGRESS BY FOCUSING OUR ABLEST MEN AND OUR MOST PRODUCTIVE
RESOURCES ON A FEW AREAS. THESE SHOULD BE, IN OUR VIEW:

(A) -- FIRST, EXPANSION OF FOOD PRODUCTION AND IMPROVE-
MENT OF NUTRITION. UNDER THE CONSULTATIVE GROUP FOR INTER-
NATIONAL AGRICULTURAL RESEARCH, A NUMBER OF REGIONAL
RESEARCH CENTERS HAVE BEEN ESTABLISHED. WE NOW PROPOSE AN
EXPANDED PROGRAM FOR THESE INSTITUTIONS IN TRAINING AND
RESEARCH, IN COLLABORATION WITH NATIONAL RESEARCH INSTI-
TUTIONS TO BETTER ADAPT AGRICULTURAL TECHNIQUES TO LOCAL
CLIMATIC AND SOIL CONDITIONS AND TO THE LOCAL AVAILABILITY
OF RESOURCES. BY DEVOTING MORE SKILLED MANPOWER AND MONEY,
WE SHOULD GRADUALLY BUILD THESE CENTERS INTO A COMPLETE
INTERNATIONAL NETWORK FOR BASIC AND APPLIED RESEARCH,
DEVOTED TO A WORLDWIDE REVOLUTION IN FARM TECHNOLOGY.

ALREADY SOME----- MEN AND \$---- MILLION ARE INVOLVED.
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OVER THE NEXT DECADE WE SHOULD BRING THIS TO ---- MEN
AND \$ ----MILLION. FOR ITS PART, THE UNITED STATES IS
ALREADY PROVIDING MEN AND RESOURCES FOR ONE---- OF THIS
EFFORT.

(B) -- NON-FOOD AGRICULTURE AND FORESTRY PRODUCTS ARE
ANOTHER CRITICAL FIELD FOR TECHNOLOGICAL IMPROVEMENT. THE
EXPORT EARNINGS OF MANY OF THE POOREST COUNTRIES, AND THE
LIVELIHOOD OF MANY MILLIONS OF THEIR PEOPLE, DEPEND ON
SUCH PRODUCTS AS JUTE, COTTON, AND NATURAL RUBBER, WHICH

HAVE ENCOUNTERED SERIOUS MARKET PROBLEMS AND ARE THREATENED BY SYNTHETICS. THESE COUNTRIES URGENTLY NEED TO IMPROVE THE PRODUCTIVITY AND MARKETABILITY OF THESE PRODUCTS AND DIVERSIFY THEIR ECONOMIES. THE UNITED STATES THEREFORE PROPOSES CREATION OF A CONSULTATIVE GROUP ON NON-EDIBLE AGRICULTURAL PRODUCTS TO COORDINATE ASSISTANCE IN THIS AREA. ITS TASK WILL BE TO ATTRACT MAJOR INPUTS OF MAN-POWER AND CAPITAL TO BASIC AND APPLIED RESEARCH. THE UNITED STATES WILL JOIN OTHERS IN STAFFING AND FUNDING THIS EFFORT. INITIAL REQUIREMENTS WOULD BE---- MEN AND \$---- MILLION WITHIN A YEAR.

(C) -- ENERGY IS THE SPECIAL AND URGENT TECHNOLOGICAL NEED
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OF MANY DEVELOPING COUNTRIES -- A CENTRAL INGREDIENT IN THEIR INDUSTRIALIZATION AND AGRICULTURE. THE ENORMOUS RISE IN THE COST OF THEIR OIL IMPORTS IN THE LAST TWO YEARS HAS MORE THAN WIPE OUT THE TOTAL OF THE FOREIGN AID THAT DEVELOPING COUNTRIES RECEIVE; IT HAS CAUSED A VAST DETERIORATION IN THEIR BALANCE OF PAYMENTS. AS IN THE INDUSTRIAL COUNTRIES, THERE IS NO SHORT-TERM SOLUTION. BUT INDUSTRIAL AND DEVELOPING COUNTRIES HAVE A JOINT INTEREST IN FINDING A LONG-TERM SOLUTION. WE HAVE DEVELOPED MEANS FOR EXPLORING NEW ENERGY SOURCES, FOR EXPLOITING PRESENTLY INACCESSIBLE OR LOW-GRADE RESOURCES, FOR USING SOLAR ENERGY, THAT CAN BE OF GREAT BENEFIT IN THE DEVELOPING COUNTRIES. WE ARE PREPARED TO SHARE THESE TECHNOLOGIES IF AN EFFICIENT MEANS CAN

BE FOUND TO JOIN IN A COMMON ENDEAVOR OUR TECHNICIANS,
THOSE OF OTHER INDUSTRIAL COUNTRIES, AND THOSE OF THE
DEVELOPING COUNTRIES. ONE APPROACH WOULD BE TO FORM A NET-
WORK OF REGIONAL ENERGY TECHNOLOGY CENTERS, MANNED BY
DEVELOPING AND DEVELOPED COUNTRIES, TO
IDENTIFY AND ADAPT ENERGY TECHNOLOGY NEEDED IN EACH AREA.

(INDENT) ALTERNATIVELY, A NEW INTERNATIONAL ENERGY

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INSTITUTE, COMPRISED OF BOTH DEVELOPED AND DEVELOPING
COUNTRIES COULD COORDINATE ALL EFFORTS IN THE AREA OF
TRANSFER OF ENERGY TECHNOLOGY. THIS TOPIC WOULD BE AN
EXCELLENT AGENDA ITEM FOR THE COMING DIALOGUE BETWEEN
DEVELOPED AND DEVELOPING COUNTRIES.

318. FINALLY, WE MUST ESTABLISH A STABLE, ACCEPTED ENVIRON-
MENT FOR THE PRIVATE, TRANSNATIONAL ENTERPRISE.

319. TRANSNATIONAL ENTERPRISES HAVE PLAYED A UNIQUE ROLE
IN THE APPLICATION AND MANAGEMENT OF TECHNOLOGY IN DEVELOP-
ING COUNTRIES. THEY HAVE PROVEN THEMSELVES TO BE A VITAL
INSTRUMENT OF MODERNIZATION IN DEVELOPED AND DEVELOPING
COUNTRIES ALIKE. THEIR ABILITY TO MARSHAL AND ORGANIZE
CAPITAL, INITIATIVE, RESEARCH, MANAGEMENT, AND TECHNOLOGY
AND APPLY THEM TO GROWTH MAKES THEM BOTH INEVITABLE AND
IRREPLACEABLE. THE CONTROVERSIES OVER THEIR ROLE AND
CONDUCT ARE THEMSELVES AN OBSTACLE TO ECONOMIC DEVELOPMENT.
IT IS TIME TO FACE UP TO THE PROBLEMS, REAL AND PERCEIVED,
THAT HAVE DEVELOPED. IT IS TIME TO AGREE ON SOLUTIONS

THAT ADDRESS THE CONCERNS OF EVERYONE.

320. FOR OUR PART, I CAN STATE HERE THAT WE ARE PREPARED

TO MEET THE PROPER CONCERNS OF GOVERNMENTS IN WHOSE TERRITORIES
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TORIES TRANSNATIONAL ENTERPRISES OPERATE. WE AFFIRM THAT
COMPANIES MUST ACT IN FULL ACCORDANCE WITH THE SOVEREIGNTY
RIGHTS AND TAKE FULL ACCOUNT OF THE PUBLIC POLICY OF HOST
GOVERNMENTS. WE ACKNOWLEDGE THAT COUNTRIES ARE ENTITLED
TO ENACT REGULATIONS GOVERNING OPERATIONS OF MULTINATIONAL
ENTERPRISES WITHIN THEIR BORDERS.

321. FOR THEIR PART, GOVERNMENTS THAT WISH THE BENEFIT OF
THE PRODUCTIVE INVESTMENT OF THESE ENTERPRISES MUST ACT TO
FOSTER THE CONDITIONS THAT ATTRACT AND MAINTAIN IT.

322. WE BELIEVE THAT THE TIME HAS COME FOR THE INTERNATIONAL
COMMUNITY TO ARTICULATE STANDARDS OF CONDUCT FOR
BOTH ENTERPRISES AND GOVERNMENTS -- STANDARDS FOR TRANS-
NATIONAL ENTERPRISES IN THEIR RELATIONS WITH GOVERNMENTS,
AND STANDARDS FOR GOVERNMENTS IN THEIR RELATIONS WITH
TRANSNATIONAL ENTERPRISES AND WITH OTHER GOVERNMENTS. THE
UNITED STATES WILL WORK WITHIN THE U.N. COMMISSION ON
TRANSNATIONAL ENTERPRISES AND OTHER INTERNATIONAL BODIES
TO OBTAIN NECESSARY DATA AND TO HELP DEVELOP A BODY OF
BASIC, BALANCED PRINCIPLES TO GUIDE ENTERPRISES AND GOVERN-
MENTS IN THEIR MUTUAL RELATIONS.

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323. IN OUR VIEW, SUCH GUIDELINES MUST REFLECT THESE

FUNDAMENTALS:

-- FIRST, THEY MUST REQUIRE TRANSNATIONAL ENTERPRISE

TO OBEY LOCAL LAW, TO REFRAIN FROM INTERVENING IN THE

DOMESTIC AFFAIRS OF THE HOST STATE, TO TAKE ACCOUNT OF

NATIONAL DEVELOPMENT PRIORITIES, TO RESPECT LOCAL CULTURE,

AND TO EMPLOY QUALIFIED LOCAL PERSONNEL OR TO QUALIFY

PERSONNEL THROUGH TRAINING. WHATEVER THE REASON -- LOCAL

CUSTOM OR INTERNATIONAL PRACTICE -- VENALITY AND CORRUP-

TION CAN NO LONGER BE TOLERATED, BY THE HOST COUNTRY, BY

THE ENTERPRISES THEMSELVES, BY THE COUNTRY IN WHICH THE

ENTERPRISES ARE BASED.

-- SECOND, THEY MUST REQUIRE HOST GOVERNMENTS TO TREAT

MULTINATIONAL COMPANIES EQUITABLY, WITHOUT DISCRIMINATION

AMONG THEM, AND IN ACCORDANCE WITH INTERNATIONAL LAW. THEY

MUST REQUIRE HOST GOVERNMENTS AND COMPANIES EQUALLY TO

OBSERVE THE CONTRACTS INTO WHICH THEY FREELY ENTER. HOST

GOVERNMENTS SHOULD CLEARLY AND CONSISTENTLY SET FORTH THE

DEVELOPMENT PRIORITIES AND STANDARDS WHICH MULTINATIONAL

COMPANIES ARE EXPECTED TO MEET, AND AFFORD THOSE PRIORITIES

AND STANDARDS A REASONABLE MEASURE OF STABILITY.

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-- THIRD, PRINCIPLES ESTABLISHED FOR MULTINATIONAL

ENTERPRISE SHOULD APPLY EQUALLY TO DOMESTIC ENTERPRISE THAT

IS SIMILARLY SITUATED. DISCRIMINATION IN FAVOR OF THE

DOMESTIC COMPETITORS OF MULTINATIONAL COMPANIES IS NEITHER

EQUITABLE NOR CONDUCIVE TO FOREIGN INVESTMENT. NOR CAN

PRINCIPLES BE ADDRESSED ONLY TO PRIVATELY OWNED MULTINATIONAL ENTERPRISE. STATE-OWNED AND MIXED MULTINATIONAL ENTERPRISES -- INCREASINGLY IMPORTANT ACTORS IN THE WORLD ECONOMY -- SHOULD BE HELD TO THE SAME STANDARDS AS MULTINATIONAL ENTERPRISES THAT ARE PRIVATELY OWNED.

324. A STATEMENT OF GUIDELINES WHICH FAILS TO REFLECT THE CONCERNS OF ALL PARTIES -- HOST GOVERNMENTS, HOME GOVERNMENTS, AND ENTERPRISES -- WOULD EXACERBATE RATHER THAN MODERATE THE FRICTIONS WHICH HAVE POISONED THE INTERNATIONAL INVESTMENT ENVIRONMENT. THE QUALITY OF MANAGED TECHNOLOGY AVAILABLE TO DEVELOPING COUNTRIES WOULD DECLINE AND THEIR ECONOMIC GROWTH FALTER. OUR PRINCIPLES MUST BE FOUNDED ON OBJECTIVE INTEREST SO THAT THEY ARE NOT DEBASED BY CONFRONTATION. THEY MUST BE GUIDED BY REALITY -- NOT RHETORIC.

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325. BUT A STATEMENT OF PRINCIPLES IS NOT THE ONLY, NOR NECESSARILY THE BEST, MEANS OF RESOLVING MANY OF THE PROBLEMS AFFECTING TRANSNATIONAL ENTERPRISES. HOST AND HOME-COUNTRY NEGOTIATION COULD BE HIGHLY USEFUL IN SEVERAL SPECIFIC AREAS:

-- THE PROVISION OF INSURANCE TO FOREIGN PRIVATE INVESTORS. THE UNITED STATES BELIEVES THAT OUR BILATERAL GOVERNMENT-TO-GOVERNMENT INSURANCE PROGRAM HAS CONTRIBUTED TO PRIVATE INVESTMENT FLOWS. WE SUGGEST ADOPTION OF NEW MULTILATERAL INVESTMENT INSURANCE ARRANGEMENTS WITH FINANCIAL PARTICIPATION, HOWEVER MODEST, FROM DEVELOPING

COUNTRIES, TO REFLECT OUR MUTUAL STAKE IN ENCOURAGING
INVESTMENT FLOWS.

-- THE HARMONIZATION OF TAX TREATMENT OF FOREIGN

INVESTMENT. IN THIS REGARD, INTERNATIONAL TAX TREATIES

ARE A USEFUL INSTRUMENT, HELPFUL IN DEALING WITH SUCH

CONTENTIOUS SUBJECTS AS TRANSFER PRICING. IN THIS SPHERE,
UNCOORDINATED HOST AND HOME COUNTRY POLICIES MAY SQUEEZE

NEEDED ENTERPRISE OUT OF OPERATION.

-- THE DEVELOPMENT OF ARBITRAL PROCEDURES THAT ARE

BOTH ACCEPTED AND EMPLOYED FOR SETTling INVESTMENT DISPUTES
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WHICH THE PARTIES FIND INTRACTABLE. THE WORLD BANK'S

INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT

DISPUTES AND OTHER THIRD-PARTY FACILITIES SHOULD BE ENGAGED

IN THIS EFFORT.

-- THIS EXPANSION AND STRENGTHENING OF CHANNELS FOR

INTERGOVERNMENTAL CONSULTATIONS. GREATER USE OF THESE

CHANNELS MAY HELP TO IDENTIFY AND RESOLVE INVESTMENT

PROBLEMS BEFORE THEY BECOME MAJOR IRRITANTS.

326. SUCH COOPERATIVE EFFORTS CAN KEEP TRANSNATIONAL

ENTERPRISES FROM BECOMING OBJECTS OF ECONOMIC WARFARE. WE

-

BELIEVE THAT JUST SOLUTIONS ARE ACHIEVABLE. THE CAPACITY

OF NATIONS TO DEAL WITH THESE COMPLEX PROBLEMS CONSTRUC-

TIVELY WILL BE A TEST OF WHETHER THE SEARCH FOR COMMON

SOLUTIONS OR THE CLASH OF IDEOLOGIES WILL DOMINATE OUR

ECONOMIC DEVELOPMENT ARE PROFOUND.

TRADE AND COMMODITIES

401. THE THIRD BASIC AREA FOR OUR ATTENTION IS THE
WORLD TRADING SYSTEM. IMPROVING THAT SYSTEM -- IN BOTH
MANUFACTURES AND COMMODITIES -- WILL MAGNIFY OUR SUCCESS
IN EVERY OTHER AREA OF EFFORT. SPECIALIZATION, THE
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EXCHANGE OF TECHNOLOGY, AND THE MOVEMENT OF CAPITAL --
THESE ARE THE ELEMENTS OF EFFICIENCY AND EXPANSION.
SUCCESSFUL DEVELOPMENT MOST OFTEN OCCURS IN THOSE
COUNTRIES THAT TAKE FULL ADVANTAGE OF THE OPPORTUNITIES
IN WORLD TRADE.

402. FACILITATING THE INTERNATIONAL FLOW OF GOODS AND
SERVICES WILL FOSTER GREATER AND BETTER BALANCED GROWTH
IN ALL COUNTRIES. IT WILL ENABLE DEVELOPING COUNTRIES
TO EXPAND THEIR EARNINGS FROM EXPORTS, TO FINANCE GREATER
IMPORTS OF EQUIPMENT FOR DEVELOPMENT AND OF FOOD FOR
GROWING POPULATIONS. FOR ADVANCED NATIONS, GROWTH IN
WORLD TRADE CAN PROVIDE THE STIMULUS TO EXPANSION AND
RECOVERY, LOWER COSTS, AND A GREATER VARIETY OF GOODS FOR
CONSUMERS.

403. WORLD TRADE HAS BEEN THE GREAT DRIVING FORCE IN
THE UNPRECEDENTED EXPANSION OF THE WORLD ECONOMY OVER
THE LAST THIRTY YEARS. BUT THE WORLD TRADING SYSTEM
COULD BE DESTROYED BY AN EXPLOSION OF BARRIERS TO IMPORTS
AND OF RESTRAINTS OR SUBSIDIES ON EXPORTS. THE DANGER IS
HEIGHTENED BY THE RECESSION, THE MOST SERIOUS SINCE THE
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SECOND WORLD WAR. EVERY DAY THAT ECONOMIC RECOVERY IS
DELAYED, THE TEMPTATION GROWS TO RESTRICT IMPORTS, TO
UNFAIRLY SUBSIDIZE EXPORTS OR TO RESTRICT THE EXPORT OF
SCARCE ITEMS. CONCERTED ACTION IS NECESSARY NOW -- NOT
ONLY TO ACHIEVE ECONOMIC RECOVERY BUT TO ENSURE AN
EXPANDING WORLD TRADING SYSTEM.

404. THE INTERESTS OF BOTH DEVELOPED AND DEVELOPING
NATIONS REQUIRE THAT WE CREATE A DURABLE FRAMEWORK FOR
EXPANDED AND STABLE TRADE. THIS IS THE TASK OF THE
MULTILATERAL TRADE NEGOTIATIONS IN GENEVA. THESE
NEGOTIATIONS SHOULD PROVIDE GREATER TRADING OPPORTUNITIES
FOR THE DEVELOPING NATIONS; THEY SHOULD BRING THEM MORE
FULLY INTO THE OPPORTUNITIES AND THE DISCIPLINES OF WORLD
TRADE.

405. PRIMARY COMMODITIES PRESENT A VERY SPECIAL PROBLEM.
PRICES, DEMAND, AND OUTPUT ARE PARTICULARLY VOLATILE.
THE LOCATION OF PROCESSING IS OFTEN GROSSLY INEFFICIENT.
THE NON-OIL PRODUCING COUNTRIES RELY ON PRIMARY
COMMODITIES FOR ALMOST TWO-THIRDS OF THEIR EXPORT EARN-
INGS. THEIR SALES OF RAW MATERIALS HAVE NOT BEEN
EXPANDING AS FAST AS THOSE OF THE INDUSTRIAL COUNTRIES.
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THEIR EXPORTS OF AGRICULTURAL PRODUCTS HAVE LAGGED.

406. THE UNRELIABILITY OF EARNINGS FROM COMMODITY TRADE
IS DISRUPTIVE OF DEVELOPMENT PLANS; IT IS DESTABILIZING
ALSO TO ECONOMIC CONDITIONS IN THE INDUSTRIAL COUNTRIES.

HIGH PRICES IN PERIODS OF SHORTAGE ENTER IRREVERSIBLY
INTO THE WAGE AND PRICE STRUCTURE AND PERSIST LONG AFTER
THE COMMODITY MARKET HAS TURNED AROUND.

407. THESE COMMODITY PROBLEMS CAN BE ATTACKED IN THE
MULTILATERAL TRADE NEGOTIATIONS, BUT MUST ALSO BE
ADDRESSED IN A VARIETY OF OTHER INSTITUTIONS, INCLUDING
THE NEW DIALOGUE BETWEEN DEVELOPED AND DEVELOPING NATIONS
SOON TO BEGIN AND IN INDIVIDUAL COMMODITY FORUMS.

408. OF ALL COMMODITY PROBLEMS, HOWEVER, NONE ARE MORE
VITAL THAN THOSE INVOLVING FOOD. NO ASPECT OF ECONOMIC
SECURITY IS MORE BASIC THAN FOOD SECURITY. UNSTABLE FOOD
SUPPLY AND PRICES AFFECT US ALL. FOR MANY PEOPLE, FOOD
SECURITY IS THE SINGLE MOST CRITICAL NEED IN THEIR LIVES.
FOR SOME IT IS A QUESTION OF LIFE ITSELF. ADEQUATE
FOOD SECURITY REQUIRES MORE THAN A SYSTEM OF DISASTER
RELIEF TO DEAL WITH CROP FAILURES, OTHER NATURAL
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DISASTERS AND POCKETS OF FAMINE. IT CALLS FOR REASONABLE
STABILITY IN THE AVAILABILITY OF FOOD IN COMMERCIAL
MARKETS, SO THAT HARVEST FAILURES IN SOME PARTS OF THE
WORLD WILL NOT MAKE FOOD IMPORTS IMPOSSIBLY EXPENSIVE
ELSEWHERE.

409. TO IMPROVE THE WORLD TRADING SYSTEM, TO MAKE IT
FUNCTION BETTER IN THE SERVICE OF OUR DEVELOPMENT GOALS,
AND TO ATTACK THE MOST DIFFICULT PROBLEMS ASSOCIATED
WITH PRIMARY COMMODITY TRADE, MOST IMPORTANTLY FOOD, THE

UNITED STATES PROPOSES CONCRETE ACTION PROGRAMS:

-- FOR THE MULTILATERAL TRADE NEGOTIATIONS IN GENEVA;

-- FOR THE NEGOTIATION OF AN INTERNATIONAL FOOD RESERVE

SYSTEM TO INCREASE FOOD SECURITY; AND

-- FOR ADDRESSING THE ISSUES AND PROBLEMS ASSOCIATED

WITH OTHER PRIMARY COMMODITIES.

410. FIRST, THE BEGIN UNDERLINE MULTILATERAL TRADE

NEGOTIATIONS. END UNDERLINE

411. IF THEY ARE SUCCESSFUL, ALL COUNTRIES WILL BENEFIT

FROM REDUCED BARRIERS TO IMPORTS. ALL WILL BENEFIT FROM

THE ESTABLISHMENT, FOR THE FIRST TIME, OF RELIABLE AGREE-

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MENTS ON ACCESS TO SUPPLY. BUT THE SUCCESS OF THOSE

NEGOTIATIONS DEPENDS CRITICALLY ON A BETTER RELATIONSHIP

OF THE DEVELOPING COUNTRIES TO THE WORLD TRADING SYSTEM.

WITHOUT THEIR COOPERATION, THE DEVELOPED COUNTRIES CANNOT

BE ASSURED OF SMOOTHER ACCESS TO VITAL RAW MATERIALS OR

TO THE EXPANDING MARKETS OF THE DEVELOPING WORLD.

WITHOUT BROAD ACCESS TO WORLD TRADE, PROGRESS IN THE

DEVELOPING COUNTRIES WILL SUFFER FROM UNACCEPTABLE DELAYS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, MINISTERIAL VISITS, INTERNATIONAL ORGANIZATIONS, SPEECHES, CAT-A
Control Number: n/a
Copy: SINGLE
Draft Date: 23 AUG 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: ADS
Document Unique ID: 00
Drafter: S/P:SWLEWIS:GM
Enclosure: n/a
Executive Order: 11652 XGDS-3
Errors: n/a
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From: STATE
Handling Restrictions: n/a
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Office: ORIGIN NODS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
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Previous Classification: CONFIDENTIAL
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Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
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Review Date: 20 JUN 2003
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